

Securities and Exchange Commission  
**RECEIVED**

SECUR



08033216

Washington, D.C. 20549

SSION

OMB APPROVAL	
OMB Number	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

NOV 28 2008

Office of Compliance Inspection  
and Examinations

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
B. 28004

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING October 1, 2007 AND ENDING September 30, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Loeb Partners Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

61 Broadway

(No. and Street)

New York

(City)

NY

(State)

10006

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Thomas L. Kempner

(212) 483-7022

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Todman & Co., CPAs, P.C.

(Name - if individual, state last, first, middle name)

120 Broadway

(Address)

New York

(City)

NY

(State)

10271

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

DEC 10 2008

**THOMSON REUTERS**

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

# OATH OR AFFIRMATION

I, Thomas L. Kempner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Loeb Partners Corporation, as of September 30, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

SHIRLEY A. DELLA TORRE  
Notary Public, State of New Jersey  
My Commission Expires February 16, 2011

Signature

President, Chief Executive Officer  
Title

Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **TODMAN & Co., CPAs, P.C.**

*Certified Public Accountants and Business Consultants*  
An Affiliate of TRIEN ROSENBERG

120 Broadway  
New York, NY 10271  
TEL. (212) 962-5930  
FAX (212) 385-0215

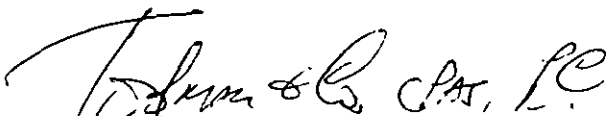
## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
**Loeb Partners Corporation**  
61 Broadway  
New York, NY 10006

We have audited the accompanying statement of financial condition of Loeb Partners Corporation (the "Company") as of September 30, 2008. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Loeb Partners Corporation as of September 30, 2008, in conformity with U.S. generally accepted accounting principles.



**New York, New York**  
**November 24, 2008**

**LOEB PARTNERS CORPORATION**  
**STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2008**

**ASSETS**

Cash and cash equivalents	\$ 11,073,054
Receivable from brokers-dealers	4,260,891
Accrued fee income	182,849
Commissions receivable	124,450
Securities owned:	
- at market value	1,957,815
- at fair value	27,274
Receivable from affiliates	1,134,006
Memberships in exchange, at cost (market value \$309,000)	80,000
Property and equipment (net of accumulated depreciation of \$1,416,701)	1,052,434
Deferred income taxes	1,823,325
Other assets	<u>360,809</u>
 Total assets	 <u><u>\$ 22,076,907</u></u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Liabilities	
Accounts payable and other accrued liabilities	861,018
Accrued compensation	150,911
Income taxes payable	<u>107,006</u>
 Total liabilities	 1,118,935
 Commitments and contingencies	
Stockholder's equity	
Common stock, \$.01 par value,	
Authorized: 10,000 shares	
Issued and outstanding: 3,600 shares	\$ 36
Additional paid-in capital	21,054,773
Retained earnings	<u>(96,837)</u>
 Total stockholder's equity	 <u>20,957,972</u>
 Total liabilities and stockholder's equity	 <u><u>\$ 22,076,907</u></u>

The accompanying notes are an integral part of these financial statements.

**LOEB PARTNERS CORPORATION**  
**STATEMENT OF CASH FLOWS**  
Increase (Decrease) in Cash and Cash Equivalents  
**YEAR ENDED SEPTEMBER 30, 2008**

Cash flows from operating activities:

Net loss \$ (3,574,837)

Adjustments to reconcile net income to  
net cash provided by (used in) operating activities:

Depreciation \$ 315,019  
Deferred income taxes, net (2,422,000)  
(2,106,981)

(Increase) decrease in assets:

Receivable from brokers-dealers 2,670,498  
Accrued interest and dividends 48,845  
Accrued fee income 14,950  
Commissions receivable (42,378)  
Securities owned and Investments  
- at market and fair value 19,679,497  
Investment in affiliate 518,575  
Receivable from affiliates (494,840)  
Other assets (80,044)

22,315,103

Increase (decrease) in liabilities:

Payable to brokers-dealers (3,723,836)  
Securities sold, not yet purchased  
- at market and fair value (8,723,844)  
Accounts payable and other accrued  
liabilities 82,568  
Accrued compensation 93,205  
Income taxes payable (740,038)

(13,011,945)

Total adjustments

7,196,177

Net cash provided by  
operating activities

3,621,340

Net cash used in investing activities:

Purchase of property and equipment (379,653)

Net increase in cash

3,241,687

Cash and cash equivalents, beginning of year

7,831,367

Cash and cash equivalents, end of year

\$ 11,073,054

Supplemental disclosure of cash flows information:

Cash paid during the year for income taxes \$ 3,586

Supplemental disclosure of non-cash financing activity:

In April and August 2008, the Company distributed in kind \$15,000,000 and \$6,000,000, respectively, of its investment in Loeb Arbitrage Fund ("LAF") to its Parent (Loeb Holding Corporation) and recorded charges to retained earnings and additional paid-in capital in the amount of \$15,000,000 and \$6,000,000, respectively.

The accompanying notes are an integral part of these financial statements.

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

**Nature of Broker-Dealer Business**

Loeb Partners Corporation (the "Company") is a Delaware corporation formed for the purpose of conducting business as a broker-dealer in securities. One of the Company's primary sources of revenue consist of its proprietary trading activity, including interest and dividend income, conducted through a Joint Trading Account (joint account) with Loeb Arbitrage Fund ("LAF"), a related party, which was terminated December 31, 2007 (see Note 6). Subsequently, the Company maintained its investment in LAF until August 31, 2008 at which date its remaining investment in LAF was distributed in kind to its Parent company Loeb Holding Corporation. The remaining other primary sources of income consist of commissions and management fee income.

The Company operates under the provisions of Paragraph (k)(2)(ii) of rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clears all transactions on behalf of customers on a fully-disclosed basis with a clearing broker-dealer, and promptly transmits all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

**Nature of Advisory Services**

The Company, as a Registered Investment Advisor pursuant to Section 203 of the Investment Advisors Act of 1940, is exempt from rule 206(4)-2(a) under the Investment Advisors Act of 1940.

**Security Valuations**

Securities and investments traded on a national securities exchange or reported on NASDAQ are stated at the last quotations on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sales were reported on that date are stated at the last quoted bid price, except for short positions and call options written for which the last quoted asked price is used. Restricted securities or other securities for which quotations are not readily available are valued by management on an individual basis.

Other securities and investments are valued at fair market, where possible, at a price between "bid" and "asked" prices determined by reference to publicly-available market information. In these circumstances the Company attempts to use consistent and fair criteria. Investment in bank debts are generally marked-to-market, including unrealized gains and recognizing losses on the unfunded commitments to extend credit.

**Revenue Recognition**

Securities transactions and commission revenues and related expenses are recorded on a trade date basis.

**Property and Equipment**

Property and equipment are recorded at cost.

The Company depreciates its property and equipment using the straight-line method over their estimated useful lives as follows:

Furniture and fixtures	5 years
------------------------	---------

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Property and Equipment (Continued)**

Office equipment	5 years
Leasehold improvements	5 - 10 years

Maintenance and repairs are charged to operations. Major renewals and improvements are capitalized. At the time an item of physical property is retired, sold, or otherwise disposed of, the cost of the asset and the related accumulated depreciation applicable to such item is relieved. Gains or losses resulting from retirements or sales are charged or credited to income.

**Cash and Cash Equivalents**

Cash and cash equivalents include U.S. Treasuries with a market value of \$10,988,962 with a maturity of three months or less.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

**Financial Instruments**

Derivative financial instruments used for trading purposes include options and equity swap contracts, both domestic and foreign.

Fair values of options and swaps are recorded in securities owned or securities sold, not yet purchased, as appropriate.

In accordance with Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivatives and Hedging Activities", the Company records its derivative activities at market value or, if market prices are not readily available, at fair value.

Unrealized gains or losses on equity swap contracts are recorded on the same basis as the underlying assets or liabilities that are marked-to-market and recorded currently in income as principal transactions.

**Income Taxes**

The Company has adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes", which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Income Taxes (Continued)**

The Company is a wholly owned subsidiary of Loeb Holding Corporation and for federal corporate income tax purposes, files on a consolidated basis with its Parent. Accordingly, the Company's federal income tax, if any, is due to or from the Parent company.

**Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 provides a framework for measuring fair value and enhances disclosures about instruments carried at fair value. The framework focuses on an exit price in the principal (or, alternatively, the most advantageous) market accessible in an orderly transaction between willing market participants. SFAS 157 establishes a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market and the Level 3 representing estimated values based on unobservable inputs. SFAS 157 also precludes the use of a liquidity or block discount when measuring instruments traded in an active market at fair value. SFAS 157 requires costs related to acquiring financial instruments carried at fair value to be included in earnings and not capitalized as part of the basis of the instrument. SFAS 157 also clarifies that an issuer's credit standing should be considered when measuring liabilities at fair value.

SFAS 157 is effective for the Company's fiscal year ending September 30, 2009 with earlier application permitted. SFAS 157 must be applied prospectively, except that the difference between the carrying amount and fair value of a financial instrument that was traded in an active market that was measured at fair value using a block discount is to be applied as a cumulative-effect adjustment to opening retained earnings on the effective adoption date.

The Company adopted SFAS 157 effective October 1, 2008 and the financial impact, if any, on the Financial Statements is not considered material.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position must meet to be recognized in the financial statements. FIN 48 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The FASB recently agreed to delay the effective date for private companies to fiscal years beginning after December 15, 2008. FIN 48 is expected to be adopted by the Company effective October 1, 2009. Management is evaluating the effect, if any, of adopting of FIN 48 on the Financial Statements for fiscal year end September 30, 2010.

**Note 2 - Securities Owned**

Securities owned consist of corporate stocks of which \$1,957,815 are at market value and \$27,274 are at fair value.

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 3 - Commitments and Contingencies**

**Litigation**

The Company is subject to litigation incidental to its business. The Company believes, after consultation with counsel that the resolution or the ultimate outcome of these matters is not expected to have a material adverse effect on the financial condition of the Company and, therefore, no provision for liability has been made in the accompanying financial statements. Nevertheless, due to uncertainties in the litigation process, it is reasonably possible that management's view of the outcome in these matters could change in the near future.

**Lease Commitment**

The Company leases office and storage space under two separate agreements expiring December 13, 2013 and July 31, 2011, respectively. The office lease provided a three month rental abatement valued at \$152,261 effective September 2008. The future minimum annual rental payments (net of \$152,261 rental abatement) under these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2009	\$ 573,559
2010	739,537
2011	763,057
2012	727,898
2013	746,095
Thereafter	<u>187,668</u>
	<u>\$ 3,737,814</u>

Rent expense (less amount charged to its Parent company) for the year ended September 30, 2008 amounted to \$514,568.

**Note 4 - Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1. Under the alternative method of capital computation pursuant to sub-paragraph (f), the Company had net capital of \$15,989,061 at September 30, 2008. The minimum capital requirement for Loeb Partners Corporation was \$500,000 and net capital in excess of the minimum was \$15,489,061.

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 5 - Income Taxes**

The provision for income taxes consists of the following:

Current:	
Federal	\$ -
State	<u>79,000</u>
	<u>79,000</u>
Deferred:	
Federal	(2,531,985)
State	<u>(705,467)</u>
	<u>(3,237,452)</u>
Total	<u>\$ (3,158,452)</u>

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable in the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, using an approximate effective tax rate of 42% are as follows:

Deferred tax assets:	
Accrued compensation	\$ 48,009
Investment losses	574,768
Net operating losses	1,141,516
Other	<u>59,032</u>
Total deferred tax assets	<u>\$ 1,823,325</u>

The Company is subject to New York State and City corporate income tax on income from their trade and business activities as well as income from investment activities. Allocation of income between business activities and investing activities is subject to detailed and complex rules applied to facts and circumstances that generally are not readily determinable at the date financial statements are prepared. Accordingly, estimates are made of income allocations in computing the Company's effective tax rate that might be different from actual allocations determined when tax returns are prepared by investee companies and subsidiaries.

Management believes that the Company's tax positions comply with applicable tax laws. However, the Company may be audited by various taxing authorities and those audits may result in proposed assessments where the ultimate resolution may result in owing additional taxes. The Company has accrued approximately \$105,000 for tax contingencies notwithstanding any positions the Company may have taken on the income tax returns. Tax contingency accruals are adjusted for changes in circumstances and additional uncertainties, such as significant amendments to existing tax laws.

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 6 - Related Party Transactions**

Related party transactions between the Company and its affiliates at and for the year ending September 30, 2008 are as follows:

	<u>Receivable (Payable)</u>	<u>Administrative &amp; Intercompany Charges</u>	<u>Commissions</u>	<u>Rent</u>
Loeb Holding Corp. (Parent) (LHC)	\$ 260,661	\$ 16,404	\$ -	\$ 208,172
Loeb Arbitrage Management, LLC (formerly Loeb Arbitrage Management, Inc.) (LAM)	567,317	6,745,969	-	-
Loeb Offshore Management, LLC (LOM)	139,291	1,437,124	-	-
Loeb Partners Management, Inc. (LPM)	166,653	383,043	-	-
Metronome LPC 1, Inc. (METRONOME)	84	-	-	-
Loeb Arbitrage Fund (LAF)	-	-	443,055	-
Loeb Offshore Fund, Ltd. (LOF)	-	-	126,702	-
Loeb Marathon Fund, LP (LMF)	-	-	4,565	-
Loeb Marathon Offshore Fund, Ltd. (LMOF)	-	-	2,988	-

LAM is the general partner and investment advisor of LAF. LOM is the investment advisor of LOF. The Company has represented to LAF, LOF, LMF, and LMOF (the "Funds") that it will charge brokerage commissions limited to the execution cost associated with the Funds' trading activity. The Company has arrangements to charge LHC, LAM, LOM, and LPM its respective share of certain administrative costs which are reported as administrative and intercompany charges to affiliates in the statement of operations.

**Joint Trading Account & Investment in Affiliate**

Under the Joint Trading Account ("JTA") agreement with LAF (A Limited Partnership), the Company was jointly and severally liable to third parties for obligations of the JTA. The Company's participation in the JTA approximated \$32,129,000 at December 31, 2007 at which date the JTA was terminated and the Company invested approximately \$27,129,000 as a Limited Partner in LAF. This investment resulted in loss of \$1,296,446 from January 1, 2008 through August 31, 2008 (date of liquidation). In April and August 2008, the Company distributed in kind \$15,000,000 and \$6,000,000, respectively, of its investment in Loeb Arbitrage Fund ("LAF") to its Parent (Loeb Holding Corporation). Also, the Company sold to its Parent company \$4,833,315 of its remaining investment in LAF by August 31, 2008.

**LOEB PARTNERS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**Note 7 - Financial Instruments with Off-Balance-Sheet Credit Risk**

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company's transactions are collateralized and are executed with and on behalf of banks, brokers and dealers, and other financial institutions. The Company introduces these transactions for clearance to another broker-dealer on a fully-disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair customers' abilities to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker-dealer provides that the Company is obligated to assume possible exposure related to such non-performance by its customers. The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing broker-dealer's internal guidelines. The Company monitors its customer activity based on information it receives from its clearing broker-dealer, and requires customers to deposit additional collateral, or reduce positions, when necessary.

**END**